Indian and Northern Affairs Canada

Affaires indiennes et du Nord Canada

INDIAN OIL AND GAS CANADA 2004/2005 ANNUAL REPORT

2008-05894/

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MESSAGE FROM THE CEO

On behalf of everyone at Indian Oil and Gas Canada (IOGC), I am pleased to present the IOGC Annual Report 2004-2005. The report not only documents our evolving activities and highlights our accomplishments, but also illustrates some of the progress First Nations are making in the oil and gas industry.

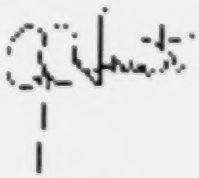
Having started as IOGC's new Chief Executive Officer and Executive Director in January 2005, I hope to bring new energy and a fresh view into the position and into the organization while climbing the steep learning curve that comes with a new position. I am acquainting myself with the landscape while I prepare to guide the organization into the future.

IOGC had embarked upon several inter-related key initiatives prior to my arrival; although these are taking longer than anticipated, good progress has been made. A major achievement of the Royalty Streamlining Project was the development of a method to accept electronic submission of royalty data from oil and gas companies. The Royalty with Certainty Project has chosen standard price markers for use in oil and gas dispositions and will give First Nations more certainty about the value of royalties earned from their lands. The Automation of Interest with Accounts Receivable System Project is expected to see completion of its first phase during fiscal year 2005-2006. And Indian Oil and Gas Canada continues to work with the Indian Resource Council in completing a proposal for legislative and regulatory change.

The other key initiative that required a great deal of hard work and commitment this year is the proposed *First Nations Oil and Gas and Moneys Management Act* (FNOGMMA), the foundation of which has been established over the past decade. During this time, the Blood, Siksika and White Bear First Nations have worked closely with Indian Oil and Gas Canada to develop the capacity to assume control and management of their oil and gas resources. New legislation is needed if the transfer of oil and gas management to First Nations is to be successful: FNOGMMA was tabled in the House of Commons on June 1, 2005.

Passage of this legislation will enable the Blood, Siksika and White Bear First Nations to assume control and management of their oil and gas resources, subject to community confirmation through a referendum. Then IOGC will be poised to accept qualified First Nations that wish to opt into the same legislation, in a similar but shorter process while they develop the capacity to manage their oil and gas resources.

The future promises to be challenging, exciting and full of firsts. I speak for the entire organization when I say that we are looking forward to the coming year.



G.C. Smith
Chief Executive Officer
and Executive Director

CORPORATE EVOLUTION

The Government of Canada has a broad mandate relating to Indian and Inuit Affairs and Northern Affairs which is derived largely from existing legislation and legal obligations arising from section 91(24) of the Constitution Act, 1867.

The Department of Indian Affairs and Northern Development is entrusted with fulfilling various legal obligations of the federal government to Aboriginal peoples as outlined in Treaties, the Indian Act and other legislation. Included in this obligation is the management of natural resources on Indian lands, including oil and gas.

Oil and gas development on First Nation reserve lands has been regulated since 1916 under the Indian Act. In 1974, due to the sharp increase in oil and gas activities on First Nation lands, the *Indian Oil and Gas Act* was passed, followed in 1977 by the *Indian Oil and Gas Regulations*. In 1987, Indian Oil and Gas Canada was established, replacing Indian Minerals West, as a dedicated branch within the Department of Indian Affairs and Northern Development to manage oil and gas development and to further First Nation initiatives to manage and control their resources. In 1993 Indian Oil and Gas Canada was affirmed as a Special Operating Agency to maximize its flexibility and responsiveness to both industry and First Nation needs.

STATUTORY AUTHORITIES

IOGC operates in accordance with provisions of the:
Indian Oil and Gas Act
Indian Oil and Gas Regulations, 1995

IOGC also enforces associated federal legislation including provisions of the:
Indian Act
Canadian Environmental Assessment Act
Other relevant legislation

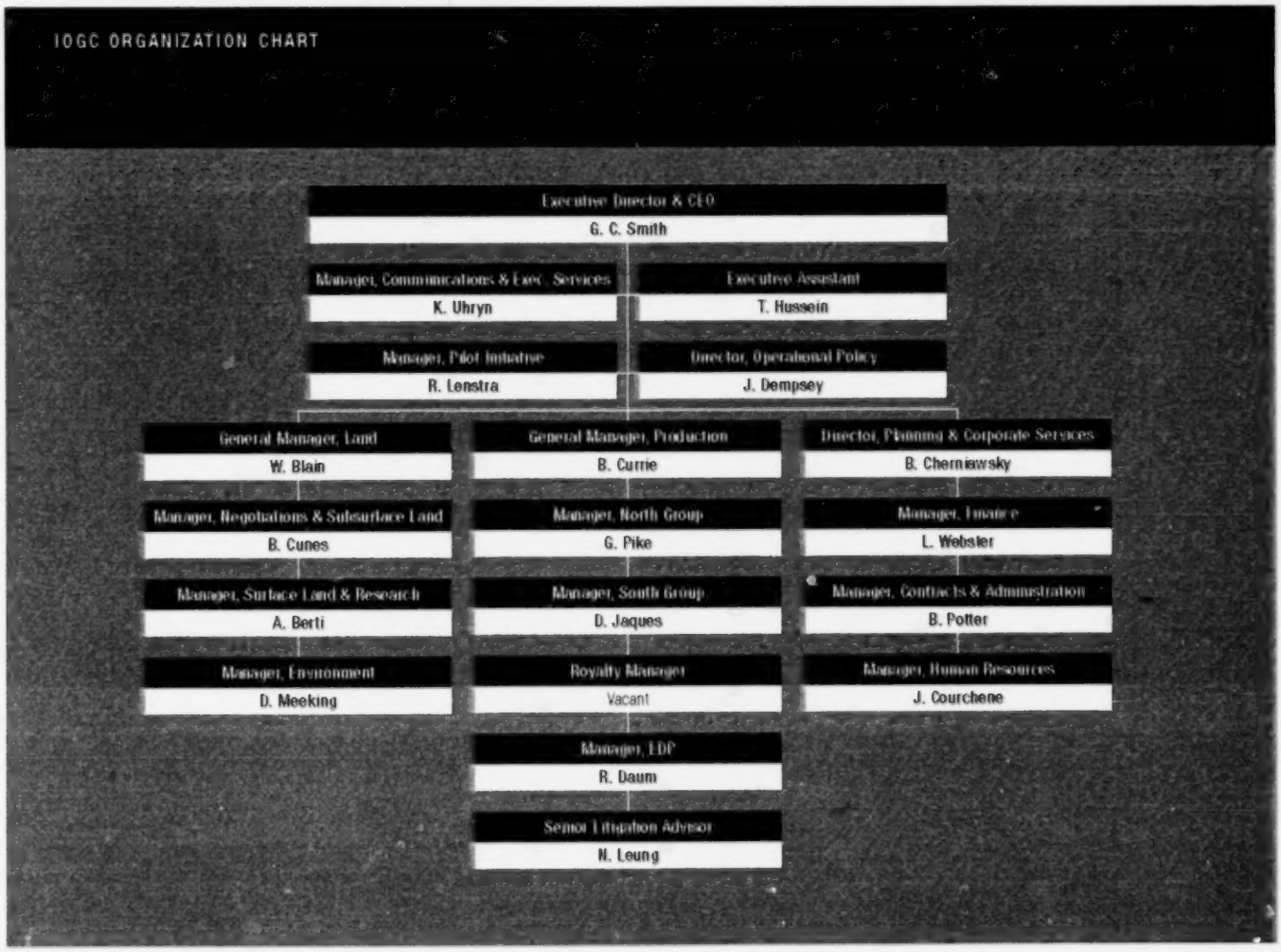
MANDATE

The mandate of IOGC is to fulfill the Crown's fiduciary and statutory obligations related to the management of oil and gas resources on First Nations lands and to further First Nation initiatives to manage and control their oil and gas resources.

MISSION

Our mission is to work together with First Nations to manage their oil and gas resources.

IOGC ORGANIZATION CHART



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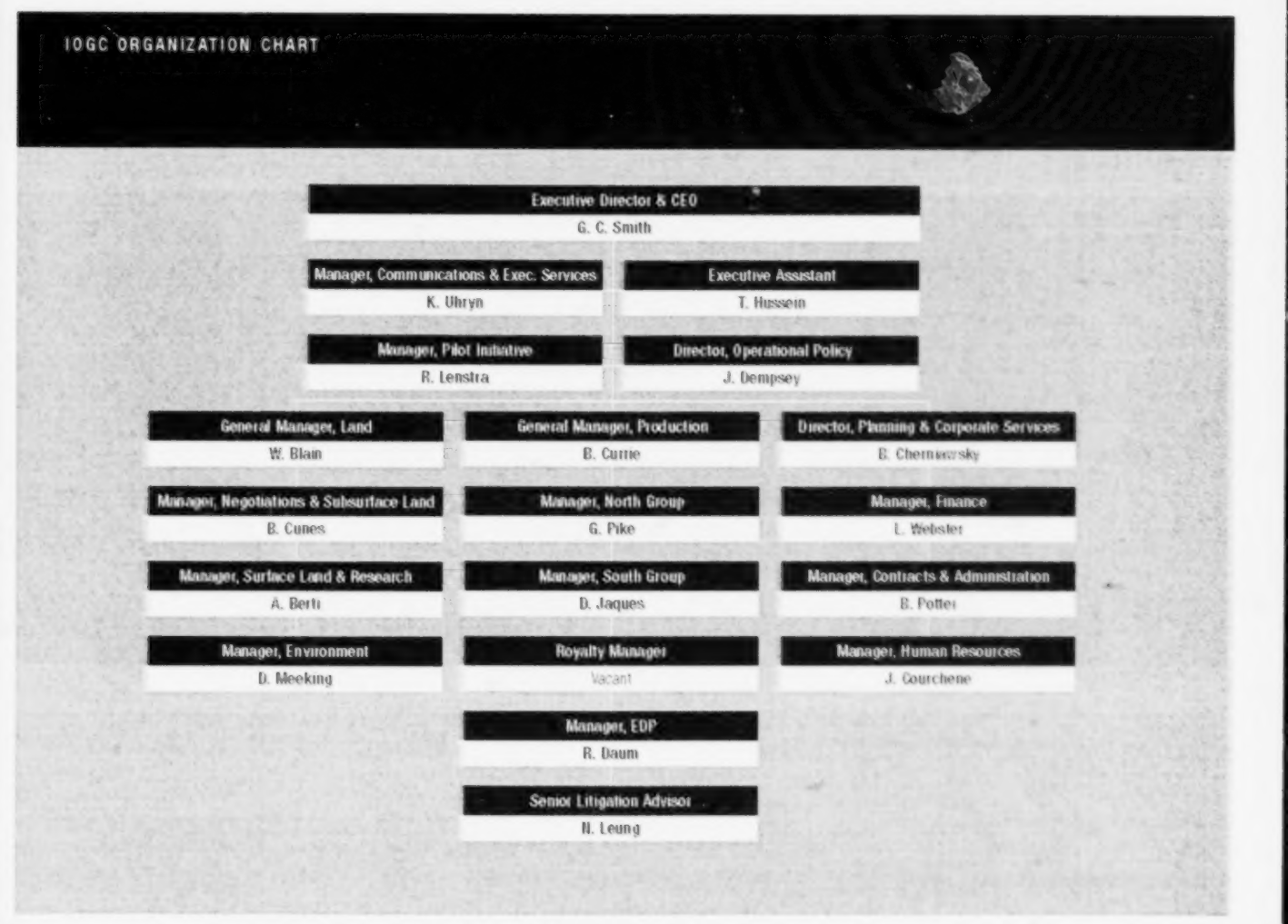


IOGC CO-MANAGEMENT BOARD

There are nine members on the Board, six of which are selected by the Indian Resource Council and three by the Crown. At the end of the fiscal year, the IOGC Co-Management Board included the individuals on the following two pages.

Indian Oil and Gas Canada (IOGC) operates under the direction of a Chief Executive Officer/Executive Director who participates as a member of the Board of Directors. The Board was established in 1996 by the signing of a Memorandum of Understanding (MOU) between the Minister of Indian Affairs and the Indian Resource Council (IRC) to co-manage IOGC operations. The Board focuses on areas of collective interest such as IOGC issues, policies, plans, priorities and resources. The Board also plays an important role in developing a vision to describe how the system for oil and gas management will function when First Nations assume control.

Chief Ernest Wesley
Stoney First Nation
(Co-Chairman)

Chief Ernest Wesley obtained his elementary education with Morley Day School at Stoney First Nation and his high school education in Cochrane, Alberta and in Arizona. He went on to graduate with a B.A. in political science from the University of Calgary. For the last 23 years, Chief Wesley has been dedicated to improving the lives of the Stoney First Nation citizens. He has been an active volunteer representing the Stoney First Nation at all levels. He was first elected as a councillor to the Stoney First Nation in 1982 and became Chief in 1992.

A father of four and a grandfather of eight, Chief Wesley is a strong advocate for youth and education endeavours. He is active in rodeos and in coaching hockey. Presently, Chief Wesley is a member of the Indian Resource Council Board of Directors, the Treaty 7 Management Corporation Board of Directors, and the Provincial Aboriginal Tourism Advisory Council.

Mr. Warren Johnson
Assistant Deputy Minister, Lands and Trust Services, Department of Indian Affairs and Northern Development *(Co-Chairman)*

Mr. Warren Johnson holds a Commerce degree with graduate work in Economics. In the 1970s and 1980s he held senior roles in regional, industrial and trade policy and program development.

Since joining the department in the early 1990s he has been Assistant Deputy Minister, Economic Development, Regional Director General, Northwest Territories, and a lead on different special corporate projects such as head of the Devolution and Aboriginal Negotiator Task Forces. He is also the Assistant Deputy Minister lead for the Aboriginal and Northern Theme Table of the Shared Regulations Initiative.

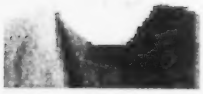
Mr. S. Robert Blair
Chairman Emeritus
NOVA Corporation

Mr. S. Robert Blair graduated from engineering at Queen's University in 1951 and proceeded to work throughout North America in construction and gas operations. In 1969, he became CEO of NOVA Corporation, a position he held for more than two decades. Currently, he is Executive Chair and President of Fenton Controls Inc.

Mr. Blair's numerous achievements include being awarded top medals of the Professional Engineers of Ontario and Alberta and the Engineering Institute of Canada, being made Honourary Squadron Commander of the Royal Canadian Navy and Honourary Chief of the Blackfoot Confederacy, and named as a Companion of the Order of Canada. He has also received honourary doctorates from the Universities of Alberta, British Columbia, Lethbridge, Queen's and Trent.

Chief Linda Chipesia
Treaty 8 Tribal Association

Born in Fort St. John, British Columbia, Chief Linda Chipesia completed both an undergraduate degree and a law degree at the University of Calgary and practiced law with an Alberta law firm. She was appointed and elected as the first female Chief of the Dunvegan-River First Nation (Treaty No. 8) in 2003. She assumed her position on the IOGC Co-Management Board on behalf of the Treaty 8 First Nations in North Eastern British Columbia. She also served as a board member for the Indian Resource Council (IRC). Chief Chipesia has significant experience dealing with complex oil and gas issues affecting First Nations.



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Mr. Blair's numerous achievements include: being awarded top medals of the Professional Engineers of Ontario and Alberta and the Engineering Institute of Canada; being made Honourary Squadron Commander in the Royal Canadian Navy and Honourary Chief of the Blackfoot Confederacy; and named as a Companion of the Order of Canada. He has also received honourary doctorates from the Universities of Alberta, British Columbia, Lethbridge, Queen's and Trent.

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Councillor Ermol Gray
Aamjiwnaang First Nation

A long-standing member of the Aamjiwnaang band council, Mr. Ermol Gray grew up on what was then known as the Chippewas of Sarnia First Nation in Ontario. He has a wealth of experience in industry-related trades and has served on numerous boards and committees both locally and nationally throughout his career.

A father of two, Mr. Gray is very much involved in issues that affect his community, ranging from band-owned enterprises, and land claims, to dealing with industry, education and housing. He also served on the board of the Indian Resource Council since its inception in the late 1980s.

Councillor Ben Ground
Enoch Cree First Nation

Biography unavailable at this time.

Chief Bernie Meneen
Tallcree First Nation

Biography unavailable at this time.

Mr. Bernard Shepherd
White Bear First Nation

Born in Arcola, Saskatchewan, Mr. Bernard Shepherd studied at the University of Regina. In 1991 he was elected to a four-year term as Chief of White Bear First Nation, making him the youngest chief of that First Nation to date.

A father of three, Mr. Shepherd has been involved in a number of different business enterprises and served on various resource-related boards including the Saskatchewan Resource Council and Indian Resource Council, among others. From 2002 to the present, he has been a tribal representative for the South East Treaty 4 Tribal Council.

Mr. Gregg Smith
CEO and Executive Director, Indian Oil and Gas Canada

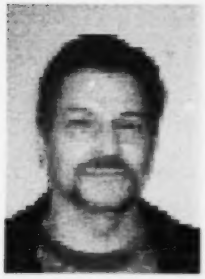
Mr. Gregg Smith is joining IOGC after 15 years heading the Treaty 7 Tribal Council as its president. He is a member of the Calgary Chamber of Commerce, a long-time volunteer at the Calgary Exhibition and Stampede, and has served on several Aboriginal advisory boards and commissions.

Mr. Smith was also co-founder of the Alberta Indian Health Commission, past president of the Indian Association of Alberta and elected council member of the Piikani Nation.

Councillor Ernest Gray
Athabaskan First Nation

A long standing member of his Band council, Mr. Ernest Gray grew up on what was then known as the Chippewas of Sarnia First Nation in Ontario. He [illegible] and has served on numerous boards and committees both locally and nationally throughout his career.

A father of [illegible], Mr. Gray is [illegible] and has been since [illegible] employ from band owned enterprises and land claims to leasing and industry relations and training. He also served on the board of the Indian Resource Council since its inception in the late 1980s.



Councillor Ben Giroud
Smith Cree First Nation

Biography unavailable at this time.

Chief Bernie Meneen
Fishcree First Nation

Biography unavailable at this time.

Mr. Bernard Shepherd
White Bear First Nation

Born in Regina, Saskatchewan Mr. Bernard Shepherd studied at the University of Regina. In 1991 he was elected to a four-year term as Chief of the White Bear First Nation, making him the youngest band chief of any First Nation in the province.

A father of three, Mr. Shepherd has been involved in a number of different business enterprises and served on various resource related boards including the Saskatchewan Resource Council and Indian Resource Council, acting where from 2002 to the present. He has been a tribal representative for the South East Treaty 4 Tribal Council.

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INDIAN RESOURCE COUNCIL

The IRC is headed by President/CEO Mr. Roy Fox reporting to a Board of Directors. The IRC Board consists of First Nation elected leaders from Alberta, British Columbia, Ontario, Saskatchewan and New Brunswick.

A representative voice for over 130 First Nations with oil and gas interests, the Indian Resource Council (IRC) works with and provides assistance to First Nation governments, businesses and individuals hoping to take advantage of business and employment opportunities within the oil and gas industry. Established in 1987, the IRC is involved in the development and implementation of employment and training programs and the creation of alliances between First Nations and the oil and gas sector. It also supports First Nations in their efforts to attain full management and control of their resources and helps to promote initiatives with government, industry and other groups.

CAPITAL FUND ADDRESSES NICHE NEED By Raymond Lawrence

Given the dynamic nature of the oil and gas industry, opportunities often arise with little warning and therefore cannot be factored into long-range planning. For First Nations involved in the oil and gas industry, those opportunities allow them the chance to be part of a good partnership or the chance to make a major acquisition that will allow them to turn out a significant profit.

The problem that First Nations encounter time upon time is that during those lucrative yet fleeting opportunities, the process to raise the required cash can be difficult.

The Indian Resource Council (IRC) believes its Sectoral Capital Fund, launched in 2002, is just what First Nations need to get investment capital for their own people and for their partners. They are turning a negative situation around in order to create a situation where First Nations, the IRC and investors all come out ahead.

In the past the opportunities have been there but all too often they remained out of reach. That stands to change. "Unfortunately First Nations and their business entities have not been able to take advantage of good business opportunities when they came about mainly due to lack of expertise, lack of capacity and lack of capital," explains Roy Fox, President/CEO of the IRC. In an industry of proverbial movers and shakers the windows of opportunity can snap shut as quickly as they open. "We've developed the Equity Fund so we can assist our members in having capital that they could look toward in taking advantage of business opportunities."

"We want to make sure that this is going to be a good investment. The oil or natural gas has to be found first and they have to be good producers at the time that the First Nation or Aboriginal partner has the opportunity."

Roy Fox, President/CEO of the IRC

The IRC intends to provide support to specific initiatives that will ensure the best return on each investment while helping First Nation businesses develop the sort of capacity that will benefit them in all stages of their business life. "Our mandate goes beyond the boundaries of our reserves because we deal with oil and natural gas resource issues on our traditional lands."

The IRC is advocating increased Aboriginal involvement in other opportunities connected to energy resources. It may be broadening and shifting its focus in order to help First Nations access previously unexplored opportunities however its core remains essentially unchanged, focussed on the oil and gas industry. "Some of the initial projects that we'll be looking at are in the upstream sector of the oil and gas industry which is the exploration and production phase because there are instances where First Nations and their business entities had opportunities to acquire working interests in certain plays on their reserves but they never had the cash available," says Mr. Fox. The fund provides them with the ways and means to jump at those lucrative opportunities.

"We want to make sure that this is going to be a good investment. The oil or natural gas has to be found first and they have to be good producers at the time that the First Nation or Aboriginal partner has the opportunity."

The IRC's partners are confident that the fund can raise as much as $30 million.

The success of the venture has the potential to impact on most aspects of contemporary Aboriginal life beginning with more opportunities for employment and entrepreneurial activity. From there, other facets of Aboriginal life can be improved. "Because we have such high unemployment rates in First Nation and Aboriginal communities, generating employment is always an objective." He says they aim to get more people involved in all aspects of the industry, not just in general labour positions but in technical fields as well.

The fund is not as rigidly structured as some funding sources in terms of partnership arrangements and ownership. It considers more the potential of a project in which there is some First Nation involvement.

"We have to prove to ourselves, to the government, and to industry that Aboriginal people can have productive involvement in venture capital funds, risk capital funds and equity funds just like other North Americans," says Mr. Fox. Their success at this stage, he hopes, will lend itself to the creation of a mega-fund that would not be limited to energy resources. "We're hoping to convince investors that they're going to get a great return on their investment but being from an Aboriginal community you have to work harder to convince others about some of our capabilities and prove to them that you can make money this way just like anyone who has been able to make money on ventures of this kind."

KEY INITIATIVE

FIRST NATIONS OIL AND GAS INITIATIVE

The proposed *First Nations Oil and Gas and Moneys Management Act,* referred to as Bill C-54, was introduced in the House of Commons on June 1, 2005. The Bill would enable First Nations to assume control of the regulation and management of oil and gas and related revenues on reserve lands and/or receive and manage moneys held by Canada in the Consolidated Revenue Fund on behalf of First Nations.

The Bill, which would be optional for First Nations, has been championed over the past decade by three proponent First Nations, White Bear First Nation in Saskatchewan, and the Siksika Nation and Blood Tribe in Alberta. These three First Nations have been full participants in both the design of the proposed legislation and in developing the necessary capacity to implement its provisions.

LEGISLATION FOR A NEW ERA OF BUSINESS By Raymond Lawrence

Following a decade of concerted efforts, the legislation that will make possible the long-awaited culmination of a pilot project between Indian Oil and Gas Canada (IOGC) and three First Nations will soon face its greatest test.

Other First Nations will no doubt be watching closely when the Blood Tribe, the Siksika Nation, and White Bear First Nation hold referendums to determine if members will vote favourably to proceed with the transfer of authority for oil and gas management from IOGC to their First Nation under the proposed *First Nations Oil and Gas and Moneys Management Act*. If these First Nations are granted the approval to proceed and show positive results, other First Nations may follow.

The proposed legislation will serve as the framework upon which the participating First Nations will develop and manage their oil and gas resources.

Drafting the proposed legislation was a separate process that ran parallel to capacity-development. IOGC and the three participating nations worked collectively to develop the bill, which reflects the interests and aspirations of the participants while addressing the full spectrum of responsibilities that fall under the authority of IOGC. "This has been a real joint effort ... where the pilot project First Nations have been involved in the development of this bill," says Ray Lenstra, manager of the pilot initiative with IOGC.

The idea to create a new management regime was born from a meeting of chiefs in the mid-1990s. "The chiefs wanted to have more control over the management of their oil and gas resources and at that time suggested there be a pilot set up to explore possible options," he says.

As a result, a process was developed involving co-management and enhanced co-management phases, enabling First Nations to assume progressively greater oil and gas responsibilities. Through this process the participants gained a thorough

"The chiefs wanted to have more control over the management of their oil and gas resources and at that time suggested there be a pilot set up to explore possible options."

Ray Lenstra, manager of the pilot initiative with IOGC

understanding of oil and gas issues and gained the confidence to make the ongoing decisions required in the business. The First Nations are now positioned for the transfer of authority for control and management of their oil and gas resources.

"This gives First Nations the opportunity to control and manage their oil and gas resources and take advantage of economic opportunities that the Crown in many cases cannot take advantage of," he says. Those opportunities may include the First Nation becoming involved in upstream and downstream oil and gas activities, drilling and production all the way to cogeneration plants and refining.

Another unique component of the proposed legislation provides an option for a First Nation to take advantage of the possible transfer of responsibilities to manage all current and future monies normally held for them in the Government of Canada's Consolidated Revenue Fund.

Under this legislation, First Nations will have the option to assume the authorities granted by the Bill to control and manage their oil and gas resources and all future moneys derived from these oil and gas activities, and/or the authorities granted under the Bill to control and manage all current and future moneys which are held or would be held for them in the Consolidated Revenue Fund.

With stakeholders that included the federal and provincial governments, and the three participating First Nations, drafting the legislation did not happen without its challenges. Difficult issues became more complex when considered from all angles but in the end, the parties devised a bill that seemingly addresses all of the complexities and is satisfactory to all those involved.

With the proposed legislation drafted and ready for introduction into the parliamentary process, and the capacity-development completed, the participants are now readying themselves for the future. They now have the knowledge, skills, and confidence to enter a new era of oil and gas management.

"They've taken greater ownership of the business as the project progressed and I think they've all grown because of it," says Lenstra.

BEHIND THE SCENES: DEVELOPING OPERATIONAL CAPACITY

By Raymond Lawrence

During the past decade, three First Nations from western Canada probably heard the term capacity-building more times than they would like to remember.

The term, however, was not being thrown around lightly. Capacity-building was a core component of a major pilot project that will establish a new oil and gas management regime for the three First Nations who participated in the initiative.

The Blood Tribe and the Siksika Nation, both of Alberta, and White Bear First Nation from Saskatchewan, worked closely with Indian Oil and Gas Canada (IOGC) during the project launched in the mid-1990s. The ambitious initiative has prepared them to take over managerial and jurisdictional control of their on-reserve oil and gas resources.

"In the oil industry they say 20 percent of your files take 80 percent of your time. Sometimes you have to take a step back and see that 80 percent are running smoothly and those other files are where you learn from your decisions and how they impact things down the road."

Carrie Kitchener, Policy Analyst with IOGC

While new optional legislation will empower the initiative (i.e. the proposed *First Nations Oil and Gas and Moneys Management Act)*, the skills and knowledge transferred to the First Nations through the capacity-building component will ensure they are adequately prepared to assume control of their own oil and gas development.

To better appreciate the depth and breadth of the capacity-building, one has only to glance behind the scenes. The Land Unit at IOGC has always played a crucial role in the pilot project as it is here that mineral agreements are negotiated, and contracts and leases are prepared and administered, providing the foundation upon which on-reserve oil and gas operations are built.

"It might be 25 years or more from the point of negotiating the deal until the lease expires and all the wells have been reclaimed so you might not even see the whole life of that agreement," says Carrie Kitchener, Policy Analyst with IOGC.

Because so much can take place during the life of a single agreement, capacity-building has had to literally encompass all the work revolving around dealing with the oil and gas industry. There are leases, time-lines, commitments, engineering issues, environmental issues, royalties, drainage issues, reclamation work and so on. It was recognized early on that the pilot staff need to know all of the nuances and need a very diverse knowledge base. "So what we've done with the pilot project is teach people at the First Nation offices to do all these tasks. It's only after you experience things once or twice that you can anticipate what might happen the next time," she says.

"It is very important that the lease be in good standing or the company's right to the land can be jeopardized. If they don't have the rights to the land then they can't produce and if they can't produce then no money comes in for royalties," says Kitchener. "It's all connected in a very circular system which all comes back to the lease being in good standing and having the rights to the land."

To that end, capacity-building took place on a number of fronts. Pilot project staff studied land administration including a special advanced program at the Southern Alberta Institute of Technology (SAIT) and were involved in hands-on learning through something which most closely resembles job shadowing. Through this they came to also understand the theoretical side of the oil and gas industry.

The participants also learned to navigate the paperwork that serves as the backbone of the industry. Proper documentation and procedures and accurate leases ensure smooth operations while providing solid legal footing should difficulties arise. "In the oil industry they say 20 percent of your files take 80 percent of your time," says Kitchener. "Sometimes you have to take a step back and see that 80 percent are running smoothly and those other files are where you learn from your decisions and how they impact things down the road."

The depth of capacity-building has gone a long way in preparing the participants for the decision-making that comes inherent with the transfer of authority. This involves understanding the industry sufficiently to base decisions on good logic but also knowing who makes a certain decision and what decisions must be dealt with by the chief and council.

"The people at the First Nation offices are very eager to learn and the best thing to get through something like this are good communications skills, people management skills, conflict management skills, and recognizing different teaching and learning styles," she says. "I think it's been great and of course there are always going to be a few barriers to overcome, which is normal," Kitchener says of the process.

KEY INITIATIVE

ROYALTY WITH CERTAINTY

The Royalty with Certainty Project is a project which involves exploring options to simplify IOGC's negotiated royalties. The two main purposes of the simplification are to increase certainty of the value of First Nations royalties and to decrease the timeframe required to obtain these values.

This project came about because it was recognized that over the past number of years, the business environment of the oil and gas industry was evolving and First Nations generally wanted more active involvement with oil and gas companies. IOGC's negotiated royalties reflected First Nations' wishes and industry changes, and what resulted was a highly complex system of royalties.

The many royalty formulas in use utilize a wide variety of defined values in their calculations. Especially for natural gas, some of these defined values are not known at the time royalties are due to be paid. In the past, IOGC began accepting estimated values and payments and performed recalculations and adjustments in later months once actual values were known. These adjustments result in overpayments and underpayments to the First Nation, increasing the administrative burden for IOGC, First Nations and companies. Given that the actual values are often not all known at once, there can be several recalculations of royalties and a significant amount of time elapsed from the time the royalties were initially due to when payment is complete and accurate.

The Project is comprised of a four phase work plan:
1. Use of a price marker for natural gas,
2. Use of a price marker for natural gas products,
3. Review of gas cost allowance, and
4. Development of a standard royalty structure.

The first two phases of the project will identify publicly available price markers for natural gas and products respectively that result in no reduction of royalties to First Nations. To assess potential impacts, each First Nation with existing production will be analyzed. A similar approach will be used for phase three, the review of gas cost allowance. And what we learn from the first three phases will be used in the last phase as standard royalty structures are reviewed and further developed.

IOGC will recommend to First Nations the use of these less complicated royalty parameters when negotiating new agreements. It should be noted that, during fiscal year 2004-2005, IOGC also negotiated an amendment to one lease to include the price markers developed as a result of this project.

IOGC will continue to simplify existing agreements in the future when the lessee and First Nation are interested.

KEY INITIATIVE

STREAMLINING THE ROYALTY PROCESS

The main goal of the project to streamline the royalty process is to ensure that the royalties collected on behalf of First Nations are as accurate and timely as is reasonably possible. The project will also support the automatic calculation of interest and involves extensive changes to current royalty processes. It includes taking advantage of the technology available for electronic submission of information over the Internet.

The project began with a thorough review of IOGC's current processes. This step was completed in fiscal year 2003-2004, and included the documentation of current process models and identification of issues.

A new business model that includes revised processes, business rules, procedures and implementation considerations is being developed. By December of 2004, some of the required modifications to IOGC's corporate database were identified to allow for electronic submission of the main royalty data.

IOGC then looked at how to implement the changes. Process training documentation and a change management implementation plan were developed as of March, 2005.

IOGC then began implementing the changes. The online business model was implemented through development of a system to receive the electronic submissions of royalty data through IOGC's Internet site. This electronic data system has been tested since January 2005 by selected royalty payors, and is expected to go live early in fiscal year 2005-2006. The system eliminates receipt of paper royalty statements and the ensuing tasks of data entry, filing and storage. It also ensures only valid and complete data records are accepted into IOGC's database and reduces the timeline for verification of royalty values. More parts of the royalty process, such as gas cost allowance, will be made available on the Internet in the future.

IOGC has ongoing training of staff regarding the new processes. IOGC is also rewriting the royalty guidelines to reflect the changes implemented. Additionally, a monthly report to be sent to individual First Nations summarizing royalty and production activity for their Indian Reserve lands will be developed.

Throughout the project, information letters have been distributed to industry to keep them updated on the changes and to inform them of required changes in their reporting to IOGC. A detailed Electronic Submission User Guide was also created. The User Guide and information letters are available on IOGC's website.

KEY INITIATIVE

AUTOMATION OF INTEREST WITH ACCOUNTS RECEIVABLE SYSTEM

Indian Oil and Gas Canada (IOGC) collects monies on behalf of First Nations for various purposes including: leasing of subsurface rights, surface leases or rights-of-way, exploratory licences and royalty payments for production of oil and gas from First Nation lands.

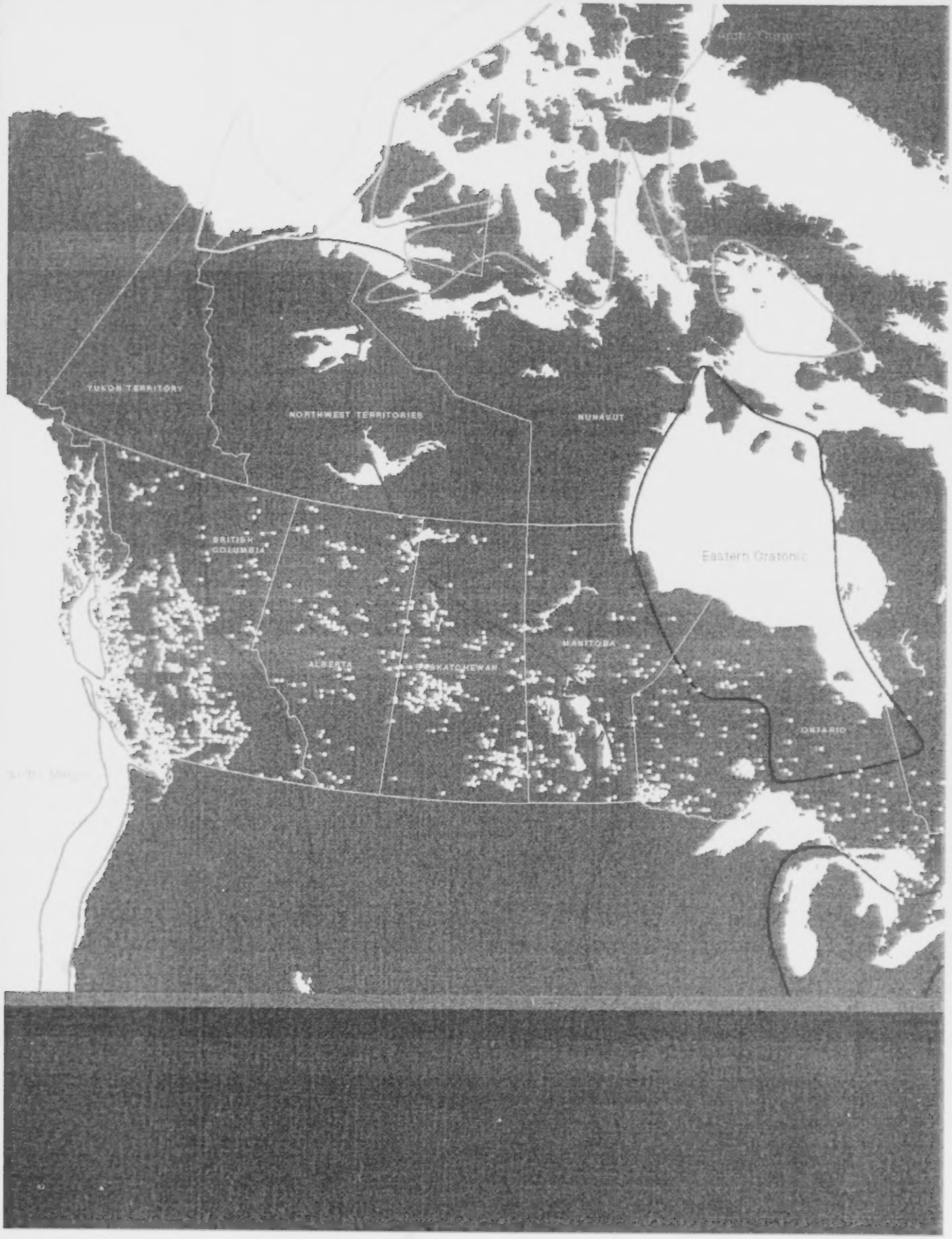
Currently, if payments by companies are outstanding, a letter is prepared advising the company of the outstanding amount and interest required pursuant to the Interest and Administrative Charges Regulations.

A significant and ongoing project at IOGC is an initiative to automate the collection of interest on late payments of trust funds through implementation of an accounts receivable system within IOGC's Resource Information Managements System (RIMS).

Once complete, Receivable statements for Land and Royalty will be generated automatically on a monthly basis and sent to companies. A separate statement will also be provided to First Nations. The accounts receivable function is straightforward for one time payments and annual rentals but more complex for monthly royalty payments.

This initiative has a significant impact on the Land, Royalty, and Finance groups and has led to changes to existing business processes and the introduction of new business processes. The project is split into two phases: Land development and Royalty development, which both present different challenges. Work currently underway in the Royalty Streamlining Project, including electronic submission, is inextricably linked to this project.

The Land development portion of the project is scheduled to be completed in 2005-2006 with work then commencing on the Royalties portion of the project.


YUKON TERRITORY
NORTHWEST TERRITORIES
NUNAVUT
BRITISH COLUMBIA
ALBERTA
SASKATCHEWAN
MANITOBA
ONTARIO
Eastern Cratonic

OPERATIONS

Indian Oil and Gas Canada has four distinct units that regulate the exploration, production and management of First Nations oil and gas resources. Executive Unit is accountable for overall agency planning and direction, consultation, policy development, pilot project management, communications and overall executive and legal services. Land Unit issues and administers agreements on First Nations lands. Production Unit monitors production and collects royalties. Planning and Corporate Services Unit is responsible for corporate planning, finance, administration and human resources.

EXECUTIVE

The Executive Unit, headed by the Chief Executive Officer, focuses on:

- Setting corporate direction and strategy
- Implementation of directives of the IOGC Board of Directors
- Operational policy development (including legislative/regulatory amendments) and consultation
- Communications and corporate executive services
- Management of the pilot project

Operational Policy Group Functions

- Support of operational policy development
- Support of new legislation development, specifically the proposed First Nations Oil and Gas and Moneys Management Act
- Advancing proposed changes to the *Indian Oil and Gas Act* and *Indian Oil and Gas Regulations, 1995*
- Involving key parties to obtain input in the above

Pilot Initiative Group

The pilot initiative group works to support the First Nations Oil and Gas Management Initiative, referred to as the "Pilot Project." It was launched in 1994 with the aim of allowing interested First Nations to assume control and management of their oil and gas resources.

The project was developed and initially implemented through a joint process to transfer the full management of oil and gas resources from Indian Oil and Gas Canada to interested First Nations. The joint process involved the First Nations, the Indian Resource Council (IRC) and the Department of Indian Affairs and Northern Development (DIAND) through its regulatory agency IOGC.

Over the past decade, the Blood Tribe, Siksika Nation, and White Bear First Nation have been working closely with IOGC to develop their capacity to assume control and management of their oil and gas resources. During capacity development, key findings and complex issues which arose indicated that if the complete transfer of oil and gas resource management to First Nations is to be successful, new legislation must be put into place.

IOGC has been working closely with the Pilot First Nations, other regional First Nation representatives, and federal and provincial government departments on development of the proposed *First Nations Oil and Gas and Moneys Management Act* (FNOGMMA), which will enable First Nations to assume control and management of their oil and gas resources. The proposed legislation was introduced into the House of Commons on June 1, 2005.

In the future, IOGC will accept qualified and interested First Nations who wish to assume management of their oil and gas resources under FNOGMMA into a capacity-development program.

Communications/Executive Services Functions

- Disseminating information to First Nations, the public and government
- Development of corporate communications strategies regarding IOGC issues that have the potential to impact First Nations or the private sector
- Development and preparation of briefings on IOGC issues for senior DIAND/IOGC officials and the minister
- Preparation of communications plans, strategies, reports (including the Annual Report) and correspondence on IOGC activity

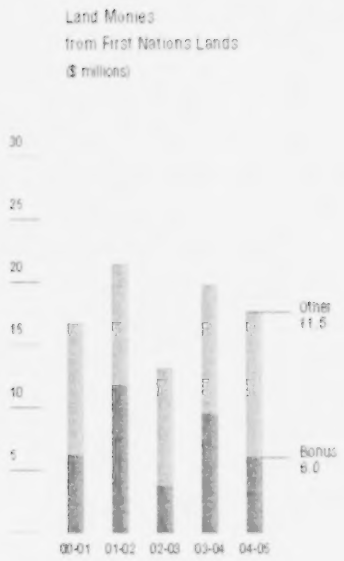
Website Initiative

As of December 15, 2004, Indian Oil and Gas Canada (IOGC) became an official presence on the World Wide Web. IOGC is pleased to offer much information and improved business services to our First Nation clients, oil and gas companies and the general public on the website.

IOGC's website offers greater accessibility for clients and partners, and includes an electronic services component for oil and gas companies to assist in providing new, modernized business practices. The website is intended to become an increasingly valuable information and business tool for all in the future. To access IOGC's website, go to http://www.iogc.gc.ca.

LAND

The Land Unit contains five groups: Negotiations, Subsurface Land Contracts and Administration, Environment, Research and Surface.



Negotiations Group Functions

- Assessing proposals by interested companies against IOGC's disposition policy
- Identifying, developing and promoting disposition options with First Nations to increase exploration and development of First Nations oil and gas resources
- Assisting First Nations in reaching agreements with companies by providing negotiation and facilitation expertise to support the negotiation process
- Providing information concerning subsurface leasing trends, sales prices and related policies to all interested stakeholders
- Providing advice to Treaty Land Entitlement (TLE) First Nations, and working together with various federal and provincial government departments and industry to facilitate the implementation of the TLE process.

In fiscal year 2004-2005, the negotiations group negotiated and completed 19 new subsurface agreements which included a total of 31,000 hectares and $2.4 million of bonus moneys. They also negotiated 39 amendments to existing agreements during the fiscal year. More than 10 negotiations were ongoing at year end.

The group continues to recommend Calls for Proposals to First Nations where appropriate. Three Calls for Proposals were issued on three different Indian Reserves during the fiscal year. Additionally, three more Calls for Proposals were prepared by year end and were expected to be issued early in fiscal year 2005-2006.

Sub Surface Land Contracts and Administration Group Functions

- Drafting and ensuring the execution of oil and gas agreements and amendments in accordance with negotiated terms and conditions and with federal government regulations
- Monitoring contractual commitments
- Administering subsurface oil and gas agreements throughout the life of the agreement, including financial commitments (excluding royalties) and First Nation suspense accounts

During fiscal year 2004-2005, the subsurface land contracts and administration group issued 39 amendments to subsurface agreements, 19 negotiated subsurface agreements, 60 lease selections, seven Directions to Comply, 97 continuances, 64 assignments and 25 expiries. They also handled name changes/amalgamations affecting 633 agreements and address changes affecting 353 agreements.

Environment Group Functions

- Ensuring all proposed oil and gas surface facilities and activities, including seismic and construction of surface leases and pipeline rights-of-way, undergo an environmental assessment as required by the Canadian Environmental Assessment Act (CEAA)
- Screening all environmental assessments to ensure environmental impacts are adequately mitigated as required by CEAA
- Imposing environmental protection terms so that oil and gas companies comply with federal and provincial environmental legislation
- Performing field inspections and audits of surface facilities to monitor industry compliance with the terms of surface agreements

During fiscal year 2004-2005, environmental staff conducted 357 environmental screenings pursuant to CEAA, as follows: 230 for surface leases, 111 for rights-of-way and 16 for exploration licences. The year end total is similar to the totals for the last three fiscal years of 325, 274 and 438 respectively. Staff also reviewed environmental audits and provided information and assistance to First Nations, industry representatives and other stakeholders.

The environmental group continued sending out reminder letters for the environmental audits. They are also considering the expanding of environmental audit requirements to include a compliance audit of rights-of-way one year after pipe is installed. Currently, rights-of-way are reclaimed as the pipe is installed, but there is no requirement to confirm the reclamation.

Surface Group Functions

- Drafting and ensuring execution of all surface agreements in accordance with negotiated terms and conditions and federal government regulations
- Managing matters and records relating to surface agreements and surface access
- Training and working together with First Nations and industry regarding surface dispositions for upstream oil and gas activities

At the end of fiscal year 2004-2005, the surface group administered 2,250 surface leases and 932 rights-of-way agreements.

Research Group Functions

- Verifying legal title and status of minerals for surrendered and designated Indian reserve lands prior to disposition
- Verifying legal title and acreage leased by all parties (this may entail review of title for non-reserve lands) to determine the First Nation interest for pooling purposes and to ensure the production spacing unit is complete
- Providing mineral title status of Indian reserve or former Indian reserve land for the purposes of monitoring activity, land claims, and litigation

During fiscal year 2004-2005, the research group verified legal title and acreage to determine the First Nation interest in 503 well entities. They also tracked more than 16,000 hectares of Treaty Land Entitlement (TLE) lands that were granted Indian Reserve status and added information about these lands to IOGC's corporate database.

More Information about Treaty Land Entitlement

When treaties were negotiated between the Government of Canada and First Nations, the Government of Canada agreed to provide Indian Reserves. Many First Nations did not receive their full entitlement of reserve land when the treaties were signed. Today the Treaty Land Entitlement (TLE) process exists to fulfill these outstanding obligations.

There have been more than 225,000 of hectares of Indian Reserve lands created since the TLE process began. During fiscal year 2004-2005, about 16,000 hectares of TLE lands were granted reserve status, with approximately 11,000 of these hectares in Saskatchewan and 5,000 in Alberta.

Given that many of the TLE lands have oil and gas activity, IOGC has become involved. In particular, there is a large and growing demand for IOGC to issue TLE replacement agreements, where the lands that are selected for TLE already have oil and gas agreements. The replacement agreements are issued pursuant to the *Indian Oil and Gas Regulations, 1995*, and become effective upon reserve creation. At fiscal year end there were close to 400 work-in-progress files for TLE replacement agreements.

IOGC can also become involved under the *Claim Settlements (Alberta and Saskatchewan) Implementation Act (CSIA)*. Under *CSIA*, First Nations may consent to a third-party interest on TLE lands before they have been granted reserve status, and even before the land is purchased. This power will authorize the First Nation to consent to an existing interest or to negotiate a new right. *CSIA* has created a need for IOGC to participate in negotiations and sessions with potential lessees for agreements that will be issued under *CSIA*. At fiscal year end, two First Nations had expressed wishes for *CSIA* subsurface agreements.

First Nation-Owned Oil and Gas Companies

Many First Nations have created their own oil and gas companies as a way to become more involved in the industry and to potentially reap more rewards than by passively collecting royalties.

At the end of fiscal year 2004-2005, 16 oil and gas First Nation-owned companies held 176 subsurface agreements on Indian Reserve lands, representing 25 percent of the total number of subsurface agreements that IOGC administered.

A total of 145,000 hectares was disposed under these agreements, representing 23 percent of the total number of disposed hectares.

Additionally, 77 wells were drilled on these leases, representing 42 percent of the total wells drilled. One well on an Indian Reserve was drilled by a First Nation-owned drilling rig.

NEGOTIATED SUBSURFACE PERMITS INITIATED FROM APRIL 2004 THROUGH MARCH 2005*

First Nation	Company	Area Disposed (hectares)
Cote First Nation (SK)	Western Warner Oils Ltd	6,515.8
Frog Lake	Frog Lake Energy Resources Corp	1,041.2
Samson	Samson Oil and Gas Inc.	11,269.3
TOTAL		18,826.3

NEGOTIATED SUBSURFACE LEASES INITIATED FROM APRIL 2004 THROUGH MARCH 2005

First Nation	Company	Area Disposed (hectares)
Alexander Band	Petro-Reef Resources Ltd.	108.8
Horse Lake First Nation	EnCana Corporation	256.0
Horse Lake First Nation	True Energy Inc.	2.5
Kehiwin Cree Nation	Canadian Natural Resources Limited	218.2
Ocean Man First Nation (SK)	Keystone Energy Corp.	196.3
Paul	Kinwest Corporation	512.0
Samson	Burlington Resources Canada Ltd.	2.1
Samson	Samson Oil and Gas Inc.	4.7
Sharphead	EnCana Corporation	25.0
Siksika	Response Energy Corporation	221.6
Sunchild First Nation	Burlington Resources Canada Ltd.	1,519.0
Thunderchild First Nation (SK)	Thunder Oil Ltd.	638.3
Tsuu T'ina Nation	Tsuu T'ina Energy Corporation	8,320.0
TOTAL		12,024.4

** A total of 35,412 hectares of permits were converted to 61 leases during FY 2004-2005.*

PRODUCTION

The Production Unit includes three distinct groups: Engineering/Geology, Royalties and Informatics.

Engineering/Geology Group Functions

- Dealing with volumetric compliance, production monitoring and reservoir engineering
- Providing technical evaluation as part of the review and processing of leases at the end of their primary and succeeding terms

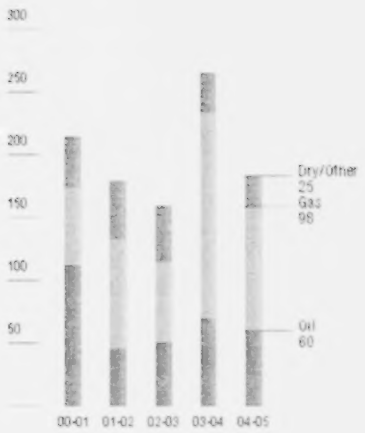
The Compliance activities include:

- Ensuring that production volumes are measured accurately and reported correctly and inspecting production equipment located on reserves to ensure operation in an environmentally sound manner
- Monitoring the drilling and status of wells around reserves to identify situations where First Nations oil and gas resources are subject to the risk of being drained and taking appropriate measures to lessen the risk of drainage
- Ensuring that all necessary documents required by the *Indian Oil and Gas Regulations, 1995* and which pertain to drilling, servicing and abandoning wells in which a First Nation has a royalty interest, are provided by permittees and lessees
- Reviewing technical applications of various kinds which companies submit to the provincial regulatory authorities and which could potentially impact First Nations reserve lands

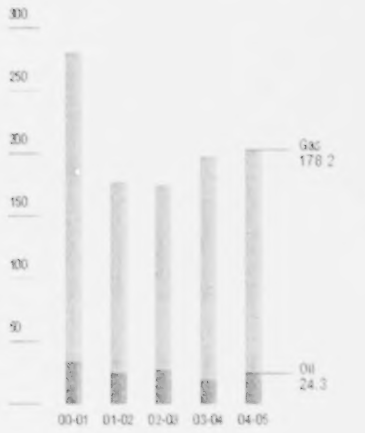
During fiscal year 2004-2005, there were 20 well abandonment approvals affecting eight Indian Reserves.

IOGC received 71 Notices of Application from the Alberta Energy and Utilities Board regarding drilling and operations. Eight of these applications applied to areas near Indian interest lands and were reviewed by technical staff.

Wells Drilled
on First Nations Lands



Royalty Revenues
from First Nations Lands
($ millions)



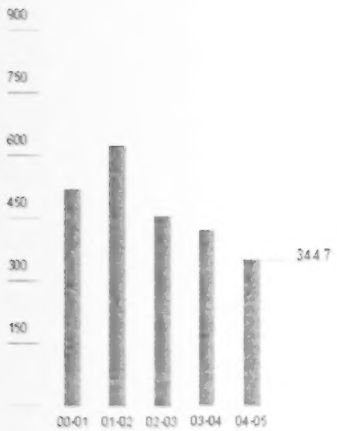
There were also 183 wells drilled affecting 30 Indian Reserves in Alberta and eight in Saskatchewan. The wells included 60 oil, 98 gas, 12 abandoned, 1 water injection, and 12 cased. Many of the cased wells will be declared as either oil, gas or abandoned in subsequent months. The oil and gas industry invested $65 million in drilling these wells. A total of 194 kilometres of hole were drilled.

The Reservoir Engineering activities include:

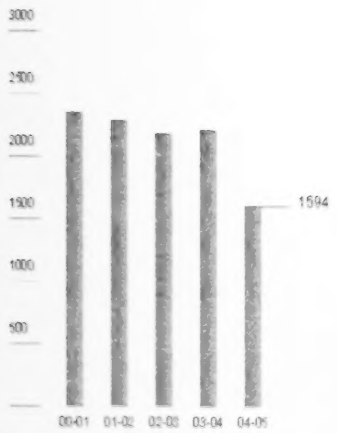
- Providing yearly revenue forecasts to First Nations and the regional offices for budgeting purposes.
- Evaluating oil and gas leases for continuance
- Processing applications to abandon wells and to convert wells for water disposal, fluid injection or use as observation wells. Prior to approving any such request, technical information contained in the well file is reviewed to obtain assurance that no economically recoverable oil or gas remains
- Providing advice to First Nations with respect to the economics presented by companies in support of their proposals for developing First Nations lands. This may involve an assessment of the remaining recoverable reserves of oil and gas
- Maintaining a hydrocarbon resource inventory

A total of 151 lease continuance applications were handled during fiscal year 2004-2005. About 53,000 hectares of land under these leases was continued, and the remainder were terminated. The terminated lands are available for re-lease.

Oil Production
from First Nations Lands
(thousand cubic metres)



Gas Sales Volumes
from First Nations Lands
(million cubic metres)



Royalty Group Functions

- Ensuring the accurate collection of royalties and subsequent reconciliation of accounts
- Reporting results of reconciliation process to First Nations and companies to resolve variances
- Monitoring royalties collection for Treaty Land Entitlement lands in Saskatchewan
- Ensuring all interest is accounted for from wells on production on Indian lands
- Verification of reported data to ensure accuracy and completeness
- Ongoing development of processes to accept electronic submissions from companies
- Reviewing gas cost allowance submissions for approval and settlement
- Conducting field and facility inspections and examinations as required to ensure claim costs are accurate and fall within prescribed regulations and guidelines
- Identifying companies that need to be examined in the areas of volumes, pricing and gas cost allowance
- Familiarizing First Nations with royalty processes, including assisting in training of Pilot First Nations in monitoring royalties and developing management reports
- Training of company personnel in accurate royalty reporting

At the end of fiscal year 2004-2005, royalty staff managed over 3000 royalty entities.

There were 32 examinations completed for 20 Indian Reserves and 18 companies during fiscal year 2004-2005. The examinations resulted in almost $900,000 of collections.

Informatics Group Functions

- Maintenance of the local area network and corporate data systems used by IOGC
- Provision of support for corporate software including finance, word processing, spreadsheet and graphics-based programs

Coal Bed Methane Workshop

Coal bed methane (CBM) was the topic of the day on March 30, 2005 when Indian Oil and Gas Canada (IOGC) and the Indian Resource Council (IRC) hosted a full day workshop entitled 'Coal Bed Methane for First Nation Landowners.'

A total of 46 delegates from 28 Canadian First Nations attended the event, along with 15 attendees from IOGC and the IRC.

Presentations by both technical and keynote speakers dealt with the basics of coal bed methane geology, including how CBM is evaluated and produced, highlighting resource potential in Alberta. CBM production issues and characteristics were discussed and the regulatory framework with which companies must comply in CBM exploration and development was explained. A presentation was also made outlining Alberta's *Water Act and Environmental Protection and Enhancement Act* as they affect CBM development and how groundwater is protected. Environmental concerns and American versus Canadian coal bed methane development and activity now and in the future were also discussed.

The workshop focussed mainly on the issues in the province of Alberta because that is where most CBM activity is happening and because very little data is available for Canadian coal bed methane activity outside of Alberta. It was clear from the many positive responses both before and after the workshop that First Nations are very interested in the potential benefits and possible issues surrounding coal bed methane development and production on their lands.

A major point that was emphasized throughout the workshop was that Chiefs and Councils are in a position to prevent or mitigate many of the challenging issues associated with CBM development through discussions with industry, particularly at the earliest stages of development. All in all, First Nations representatives who participated came away better prepared, knowing the characteristics of coal bed methane development, able to ask the right questions and focus on primary areas of concern as they strive for both economic prosperity and a better quality of life for their communities.

PLANNING AND CORPORATE SERVICES

Planning and Corporate Services (PCS) is comprised of four groups headed by the Director, Planning and Corporate Services. PCS's key responsibilities include provision of essential corporate services that relate to administrative policy, human resources, finance, contracts and administration. The unit also manages and coordinates planning for the organization resulting in a Regional Management Plan and acts as secretariat to support IOGC Co-management Board operations.

Human Resources Group Functions

- Administering human resource items related to IOGC's Separate Employer status
- Recruitment and staffing
- Staff relations
- Compensation and benefits
- Training and career development
- Classification

During the fiscal year, the Human Resources Group developed and had approved a Recognition policy, a Values and Ethics policy and a Dispute Resolution policy. At year end IOGC had a staff complement of 77 employees with 44 percent of employees of Aboriginal decent.

Contracts and Administration Group Functions

- Contract administration
- Maintenance of central records
- Facility management
- Purchasing
- Security
- Handling of access to information requests
- Maintenance of a resource library

IOGC entered into contracts totalling $1.9 million for a variety of professional services to support required oil and gas operations. In addition, the document records system was integrated with IOGC's electronic mail system.

Finance Group Functions

- Providing corporate financial service to IOGC in the areas of accounting operations, financial systems, budget allocation, management variance reporting and funding to pilot First Nations for oil and gas initiatives
- Administering the decentralized IOGC budget
- Collecting and processing bonus, lease and royalty payments to First Nations trust accounts through IOGC's Resource Information Management System (RIMS) into the department's Trust Fund Management System.

During the fiscal year, over $219.8 million was collected on behalf of First Nations. In addition, a new chart of accounts and financial system was put in place for April 1, 2005.

WELLS DRILLED SUMMARY

Oil Wells	60
Gas Wells	98
Cased Wells	12
Abandoned Wells	12
Water Injection Wells	1
Total Wells	183

FIRST NATION INTEREST WELLS 2004-2005

RESERVE	WELL NAME	LOCATION (Surface)	STATUS	TOTAL DEPTH (metres)
Alexander Fox Creek #134A, AB	Para Chic	14-10-061-17W5 (3-15)	Cased	2,040
Alexander Fox Creek #134A, AB	Para Chic	14-11-061-17W5	Gas	1,910
Alexander Fox Creek #134A, AB	Para Chic	02-26-061-17W5	Oil	2,128
Alexis #133, AB	Exalta Glevis	14-28-055-04W5 (15-28)	Gas	1,410
Alexis Whitecourt #232, AB	Bonavista Whitecourt	14-14-060-13W5	Cased	1,771
Alexis Whitecourt #232, AB	Tusk Sakwatamau	01-26-060-13W5	Gas	1,753
Alexis Whitecourt #232, AB	Del Carson Ck	02-29-060-12W5	Abandoned	1,729
Beaver #152, AB	Tuskab George	06-07-082-03W6	Oil	1,145
Beaver #152, AB	Tuskab George	16-26-082-04W6	Cased	1,139
Beaver #152, AB	Tuskab George	08-24-082-04W6	Water Injection	1,137
Beaver #152, AB	Tuskab George	14-24-082-04W6	Oil	1,134
Beaver Lake #131, AB	Husky Crgnd	11-21-[illegible]-13W4	Gas	473
Beaver Lake #131, AB	Husky Crgnd	13-26-[illegible]-13W4	Cased	481
Blood #148, AB	Anderson Ninsto	14-26-005-25W4	Abandoned	2,267
Blood #148, AB	Bonavista Blood	10-35-007-23W4	Abandoned	1,470
Blood #148, AB	Bonavista Penny	02-19-008-22W4 (8-19)	Oil	1,230
Blood #148, AB	Bonavista Penny	02-24-008-23W4	Oil	1,211
Blood #148, AB	Bonavista Penny	12-24-008-23W4	Oil	1,224
Blood #148, AB	Bonavista Penny	02-26-008-23W4	Oil	1,243
Blood #148, AB	Bonavista 102 Penny	2/06-26-008-23W4	Oil	1,261
Blood #148, AB	Bonavista Penny	04-34-008-23W4	Oil	1,360
Blood #148, AB	Bonavista Penny	13-26-008-23W4	Oil	1,271
Blood #148, AB	Bonavista Penny	02-33-008-23W4	Oil	1,425
Blood #148, AB	Bowood Penny	04-11-009-23W4	Gas	1,239
Bobtail #139, AB	BRCL Nelson	13-01-044-25W4	Gas	605
Cold Lake #149, AB	Baytex 3D Beavrdm	03-15-061-02W4	Oil	343
Cold Lake #149, AB	Baytex 5B Beavrdm	4/05-15-061-02W4	Oil	330
Cold Lake #149, AB	Baytex 1C Beavrdm	3/01-16-061-02W4	Oil	339
Cold Lake #149, AB	Baytex 1D Beavrdm	4/01-16-061-02W4	Oil	330
Cold Lake #149, AB	Baytex 7B Beaverdam	6/07-22-061-02W4	Abandoned	344
Cold Lake #149, AB	Baytex 9C Beavrdm	3/09-01-062-03W4	Cased	476
Cold Lake #149, AB	Baytex 13D Beavrdm	13-06-062-02W4 (14-06)	Oil	417
Cold Lake #149, AB	Baytex 11D Beaverdam	11-01-062-03W4 (15-01)	Oil	567
Cold Lake #149, AB	Baytex 15B Beaverdam	2/15-01-062-03W4 (15-01)	Cased	410
Cold Lake #149, AB	Baytex 16D Beaverdam	16-01-062-03W4 (15-01)	Oil	652
Cold Lake #149, AB	Baytex 16B Beaverdam	2/16-01-062-03W4 (15-01)	Oil	509
Horse Lakes #152B, AB	ECA ECOG Sinclair	11-19-073-11W6	Gas	2,531
Kapawe'no #229 & 230, AB	Timing Grouard	15-32-075-14W5	Gas	820
Kapawe'no #229 & 230, AB	Northsun Ltl Hors	08-04-076-14W5	Gas	873

FIRST NATION INTEREST WELLS 2004-2005

RESERVE	WELL NAME	LOCATION (Surface)	STATUS	TOTAL DEPTH (metres)
Kapawe'no #229 & 230, AB	Shabute Grouard	2/11-33-075-14W5	Gas	844
Kehiwin #123, AB	CNRL Kehi	09-12-059-06W4	Gas	393
Loon Lake #235, AB	Storm Loon	04-32-086-09W5	Oil	1,382
Louis Bull #138B, AB	BRCL Nelson	11-22-045-25W4	Cased	572
Louis Bull #138B, AB	BRCL Nelson	10-20-045-25W4	Gas	577
Makaoo #120, AB, SK	CNRL Onion Lake DD	91/14-05-055-27W3 (12-5)	Gas	572
Makaoo #120, AB, SK	Panglobal Onion Lk South	41/11-25-054-28W3	Oil	580
Makaoo #120, AB, SK	Panglobal Onion Lk South	11/05-19-054-27W3	Oil	590
Makaoo #120, AB, SK	Panglobal John Lake	02-36-054-01W4	Cased	574
Montana #139, AB	BRCL Samson	12-28-043-24W4	Cased	635
Montana #139, AB	BRCL Samson	04-30-043-24W4	Gas	616
Montana #139, AB	BRCL Wood Riv	07-20-043-24W4	Gas	614
New Thunderchild #115B, SK	Avalon Thunderchild	11/04-30-051-20W3	Gas	529
New Thunderchild #115B, SK	Avalon Thunderchild	21/10-36-051-21W3	Gas	564
New Thunderchild #115B, SK	Avalon Thunderchild	11/A3-02-052-20W3	Oil	559
New Thunderchild #115B, SK	Avalon Thunderchild	11/A4-02-052-20W3	Abandoned	562
New Thunderchild #115B, SK	Avalon Thunderchild	16-06-052-20W3	Gas	550
New Thunderchild #115B, SK	Avalon Thunderchild	11/07-02-052-20W3	Oil	580
New Thunderchild #115B, SK	Avalon Thunderchild	11/A8-02-052-20W3	Oil	570
New Thunderchild #115B, SK	Avalon Thunderchild	A14-04-052-20W3	Oil	547
New Thunderchild #115B, SK	Avalon Thunderchild	A4-09-052-20W3	Oil	520
New Thunderchild #115B, SK	Avalon Thunderchild	A7-09-052-20W3	Oil	588
New Thunderchild #115B, SK	Avalon Thunderchild	A1-02-052-20W3	Oil	552
New Thunderchild #115B, SK	EOG Thunderchild	C4-03-052-20W3	Oil	495
O'Chiese #203, AB	Westrock BRCL Willgr	07-19-043-09W5	Abandoned	1,787
O'Chiese #203, AB	Westrock Ferr	08-25-043-10W5 (1-25)	Gas	1,835
O'Chiese #203, AB	Westrock BRCL Willgr	12-06-044-09W5	Gas	1,785
O'Chiese #203, AB	Westrock Willgr	03-31-044-09W5	Gas	1,580
O'Chiese #203, AB	Westrock Ferr	12-01-044-10W5	Gas	1,800
O'Chiese #203, AB	Westrock Ferr	02-11-044-10W5	Gas	1,768
O'Chiese #203, AB	Westrock BRCL 103 Ferr	3/07-25-044-10W5	Cased	1,660
O'Chiese #203, AB	Westrock BRCL Ferr	02-36-044-10W5	Gas	1,645
O'Chiese #203, AB	Northrock Ferr	11-31-044-10W5 (3-6-45-10)	Gas	2,900
O'Chiese #203, AB	Northrock 102 Ferr	2/14-36-044-10W5	Gas	2,577
O'Chiese #203, AB	Northrock Pem	15-01-045-11W5	Gas	2,776
Onion Lake #119-1, SK	Panglobal Onion Lk South	11/12-28-055-27W3	Gas	622
Onion Lake #119-1, SK	Panglobal Onion Lake North	11/07-32-055-27W3	Gas	630
Onion Lake #119-1, SK	Panglobal Onion Lake North	11/11-29-056-27W3	Oil	673
Onion Lake #119-1, SK	Panglobal Onion Lake North	11/01-05-056-27W3	Oil	661
Onion Lake #119-1, SK	Panglobal Onion Lk North	11/04-05-056-27W3	Oil	643
Onion Lake #119-1, SK	Panglobal Onion Lk North	11/14-05-056-27W3	Oil	665
Onion Lake #119-1, SK	Panglobal Onion Lake North	11/A10-05-056-27W3	Oil	658
Onion Lake #119-1, SK	Panglobal Onion Lake North	12/10-05-056-27W3	Gas	522
Onion Lake #119-1, SK	Panglobal Onion Lake North	11-04-09-056-27W3	Oil	604
Onion Lake #119-1, SK	Profico Onion Lake	21/15-07-056-27W3	Gas	530
Onion Lake #119-1, SK	Profico Peck Lake	31/13-16-057-27W3	Abandoned	504
Onion Lake #119-1, SK	Profico Peck Lake	16-16-057-26W3	Gas	601
Onion Lake #119-1, SK	Profico Peck Lake	09-22-057-27W3	Gas	515

FIRST NATION INTEREST WELLS 2004-2005

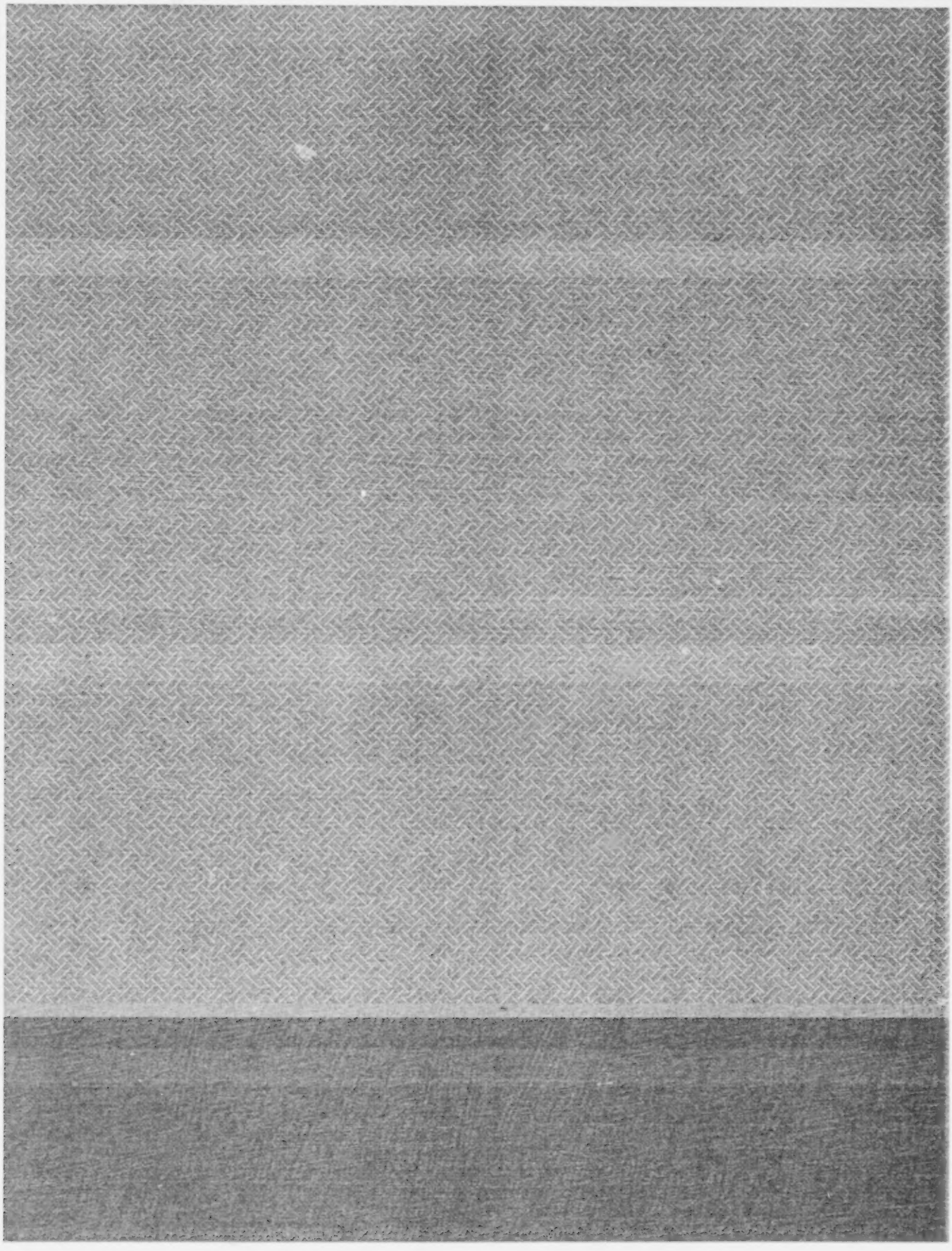
RESERVE	WELL NAME	LOCATION (Surface)	STATUS	TOTAL DEPTH (metres)
Onion Lake #119-1, SK	Pan Global Bronson Lake RE	31/08-17-058-27W3	Gas	675
Pigeon Lake #138A, AB	Pivotal Bglen	2/13-25-046-28W4	Gas	1,692
Pigeon Lake #138A, AB	Pivotal Bglen	2/10-26-046-28W4	Gas	1,656
Pigeon Lake #138A, AB	Pivotal Bglen	2/10-35-046-28W4	Gas	1,670
Poundmaker #114, SK	Banks Poundmaker	21/04-34-044-21W3	Gas	633
Poundmaker #114, SK	Banks Poundmaker	21/16-04-045-21W3	Gas	627
Poundmaker #114-22, SK	Banks Freemont	A14-27-044-24W3	Oil	731
Poundmaker #114-22, SK	Banks Freemont	A1-33-044-24W3	Oil	729
Poundmaker #114-22, SK	Banks Freemont	A6-33-044-24W3	Oil	735
Poundmaker #114-22, SK	Banks Freemont	B8-33-044-24W3	Oil	735
Poundmaker #114-22, SK	Banks Freemont	C10-33-044-24w3	Oil	725
Puskiakiwenin #122, AB	CNRL 5C Frog Lk	05-30-057-03W4	Oil	577
Puskiakiwenin #122, AB	CNRL 9C Lndbrgh	09-26-057-04W4	Oil	585
Puskiakiwenin #122, AB	CNRL 15C Lndbrgh	15-27-057-04W4	Oil	594
Red Pheasant #108, SK	Bonavista Branch Lake	01/04-16-059-23W3	Gas	350
Red Pheasant #108, SK	Bonavista Branch Lake DD	91/11-22-059-23W3	Gas	440
Red Pheasant #108, SK	Bonavista Makwa DD	21/11-27-059-23W3	Gas	410
Saddle Lake #125, AB	Tuskab Keyano Cache	15-09-057-11W4	Gas	708
Saddle Lake #125, AB	Tusk Keyano Cache	13-16-057-11W4	Gas	710
Saddle Lake #125, AB	Tusk Keyano 102 Cache	2/03-21-057-11W4	Gas	520
Saddle Lake #125, AB	Tuskab Keyano Cache	06-26-057-11W4	Gas	673
Saddle Lake #125, AB	Tusk Keyano Cache	07-27-057-11W4	Gas	682
Saddle Lake #125, AB	Tusk Keyano Cache	08-01-057-12W4	Gas	706
Saddle Lake #125, AB	Tuskab Keyano Cache	16-24-057-12W4	Gas	684
Seekaskootch #119, SK	Panglobal Onion Lk South	31/C10-09-055-27W3	Oil	632
Seekaskootch #119, SK	Panglobal Onion Lk South	01/B02-16-055-27W3	Abandoned	645
Seekaskootch #119, SK	Panglobal Onion Lk South	01/A5-21-055-27W3	Oil	623
Seekaskootch #119, SK	Panglobal Fort Pitt 10T18	22/10-18-054-26W3	Gas	447
Siksika #146, AB	Petrobank SERC Jbush	03-25-020-20W4	Gas	796
Siksika #146, AB	Petrobank SERC Jbush	04-26-020-20W4	Gas	804
Siksika #146, AB	Petrobank SERC Jbush	05-27-020-20W4	Gas	804
Siksika #146, AB	Petrobank SERC Jbush	15-19-020-21W4	Gas	835
Siksika #146, AB	Petrobank SERC Jbush	02-20-020-21W4	Gas	818
Siksika #146, AB	Petrobank SERC Jbush	03-30-020-21W4	Gas	845
Siksika #146, AB	Petrobank SERC Shouldice	12-25-020-22W4	Gas	849
Siksika #146, AB	Petrobank SERC Shouldice	09-26-020-22W4	Gas	841
Siksika #146, AB	ECA ECOG Gleichen	16-34-021-21W4	Gas	1,487
Siksika #146, AB	Avn Sholdice	02-06-021-22W4	Gas	936
Siksika #146, AB	EOG Farrow	16-08-021-23W4 (6-16)	Gas	1,612
Siksika #146, AB	EOG Sholdice	06-09-021-23W4 (16-5)	Gas	1,577
Siksika #146, AB	EOG Sholdice	08-09-021-23W4 (16-4)	Gas	1,401
Siksika #146, AB	EOG Sholdice	14-09-021-23W4 (16-6)	Gas	1,192
Siksika #146, AB	EOG Sholdice	16-09-021-23W4 (8-16)	Gas	1,200
Siksika #146, AB	EOG Sholdice	16-10-021-23W4 (6-15)	Gas	1,537
Siksika #146, AB	EOG Sholdice	14-10-021-23W4 (6-15)	Gas	1,253
Siksika #146, AB	EOG Sholdice	06-10-021-23W4 (16-03)	Gas	1,580
Siksika #146, AB	EOG Sholdice	08-10-021-23W4 (16-3)	Gas	1,158
Siksika #146, AB	EOG Sholdice	08-11-021-23W4	Gas	953

FIRST NATION INTEREST WELLS 2004-2005

RESERVE	WELL NAME	LOCATION (Surface)	STATUS	TOTAL DEPTH (metres)
Siksika #146, AB	EOG Sholdice	14-11-021-23W4	Gas	1,505
Siksika #146, AB	EOG Sholdice	16-11-021-23W4 (8-11)	Gas	1,441
Siksika #146, AB	EOG Sholdice	01-13-021-23W4 (11-13)	Gas	1,379
Siksika #146, AB	EOG Sholdice	03-13-021-23W4 (11-13)	Gas	1,213
Siksika #146, AB	EOG Sholdice	08-14-021-23W4 (6-14)	Gas	1,259
Siksika #146, AB	EOG Sholdice	08-15-021-23W4 (6-14)	Gas	1,245
Siksika #146, AB	EOG Sholdice	2/08-16-021-23W4	Gas	940
Siksika #146, AB	EOG Farrow	08-17-021-23W4	Gas	1,285
Siksika #146, AB	EOG Farrow	15-17-021-23W4	Gas	1,175
Siksika #146, AB	EOG Farrow	03-18-021-22W4 (12-18)	Gas	1,282
Siksika #146, AB	EOG Farrow	07-18-021-22W4 (12-18)	Gas	1,504
Siksika #146, AB	EOG Sholdice	08-20-021-23W4 (13-16)	Gas	1,298
Siksika #146, AB	EOG Blkft	08-16-022-23W4	Gas	968
Siksika #146, AB	EOG Blkft	14-16-022-23W4	Gas	985
Siksika #146, AB	EOG 102 Blkft	14-20-022-23W4	Gas	983
Siksika #146, AB	EOG Blkft	06-20-022-23W4 (14-20)	Gas	1,460
Siksika #146, AB	EOG Blkft	08-20-022-23W4 (16-20)	Gas	1,433
Siksika #146, AB	EOG Blkft	16-20-022-23W4	Gas	981
Stoney #142B, AB	PC 11-28DR Wcath	09-28-027-06W5 (11-28)	Gas	2,650
Stoney #142B, AB	PC 3-32 DR Wcath	10-32-027-06W5 (3-32)	Gas	2,450
Stoney #142B, AB	PC 13-15 DR Wcath	03-22-027-06W5 (13-15)	Gas	2,535
Stony Plain #135, AB	Acclaim Gspike	16-08-052-26W4	Abandoned	1,425
Stony Plain #135, AB	Acclaim Yekau	12-16-052-26W4	Abandoned	1,418
Sunchild #202, AB	BRCL Ferrier	04-02-043-10W5	Gas	2,940
Swampy Lake #236, AB	Westrock BRCL Ferr	09-27-042-10W5	Abandoned	1,827
Swampy Lake #236, AB	Storm 102 Loon	2/09-11-085-10W5	Cased	392
Swampy Lake #236, AB	Storm Exp Loon	01-36-085-10W5	Gas	1,507
Swampy Lake #236, AB	Harvest Loon	08-07-086-09W5 (6-8)	Cased	1,680
Swampy Lake #236, AB	Harvest Loon	07-17-086-09W5 (2-17)	Oil	1,593
Thunderchild #115M, SK	Bonavista Makwa	41/13-26-059-23W3	Gas	354
Tsuu T'ina #145, AB	Compton Sarcee	2/06-02-023-03W5 (7-2)	Gas	1,914
Unipouheos #121, AB	CNRL 12B Frog Lk	12-19-056-02W4	Oil	577
Unipouheos #121, AB	CNRL 12D Frog Lake	12D-13-056-03W4	Oil	512
Unipouheos #121, AB	CNRL 2C Frog Lake	2/02-22-056-03W4	Oil	463
Unipouheos #121, AB	Husky 1C Frog Lake	2/01-16-056-03W4/3	Oil	489
Unipouheos #121, AB	Husky 14C Frog Lake	14-16-056-03W4	Oil	490
Unipouheos #121, AB	Husky 12C Frog Lake	12-21-056-03W4	Oil	495
Unipouheos #121, AB	FOGO 102 7B Lind	2/07-17-057-03W4	Oil	534
Unipouheos #121, AB	FOGO 102 2C Frog Lake	2/02-17-057-03W4	Oil	485
Unipouheos #121, AB	FOGO 103 2B Frog Lake	3/02-17-057-03W4	Oil	481
Wabamun #133A, AB	Zargon Highvale	13-15-052-03W5	Abandoned	1,505
Wabamun #133A, AB	Zargon Highvale	02-27-052-03W5	Gas	1,450
Wabasca #166, AB	Atlas Hz Peerless	08-31-079-22W4 (13-5-80-22)	Oil	2,826
Wabasca #166, AB	Atlas Hz Peerless	10-32-079-22W4 (16-5-80-22)	Oil	2,650
Wabasca #166, AB	Atlas Hz 102 Peerless	2/10-32-079-22W4 (16-5)	Oil	2,560
Whitefish Lake #128, AB	Tuskab Ash	11-09-061-12W4	Gas	793
Whitefish Lake #128, AB	Tusk Keyano Ashmont	09-16-061-12W4	Gas	635
White Bear #70, SK	Harvest Wbog Big Marsh Hz	91/07-24-009-03W2 (3-24)	Oil	1,724

FINANCIAL OPERATIONS 2004-2005

FUNDING		
2004-2005 Budget Allocation		$ 10,492,348
Total Funding		$ 10,492,348
EXPENSES, CONTRIBUTIONS & TRANSFERS		
Expenses		
Salaries		$ 4,869,993
Operations & Maintenance		
Inventory Management Services	197,818	
Environment	53,929	
Negotiations (Disposition & Amendment)	53,253	
Agreement Management	122,868	
Compliance	350,525	
Royalty Management	867,103	
Operations Policy & Communications	383,616	
Corporate Management	650,999	
Informatics	148,129	
Direct Operations, Planning	334,319	
Legislative/Regulatory	45,357	
IOGC Board	1,995	
Pilot	242,250	
Other	25,156	
TOTAL OPERATIONS & MAINTENANCE		$ 3,497,319
Contributions & Transfers		
IRC Partnership	300,000	
IOGC Board	75,000	
Other IRC Projects	20,000	
First Nations Oil & Gas Management Initiative	1,109,118	
Other Contributions & Transfers	534,108	
TOTAL CONTRIBUTIONS & TRANSFERS		$ 2,038,226
TOTAL EXPENSES, CONTRIBUTIONS & TRANSFERS		$ 10,405,538
Surplus/Deficit		$ 86,810
REVENUES COLLECTED ON BEHALF OF FIRST NATIONS		
Royalties		$ 202,438,152
Bonus		$ 6,002,769
Compensation and Rentals		$ 11,467,090
TOTAL REVENUES COLLECTED ON BEHALF OF FIRST NATIONS		$ 219,908,011



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